



**DEFENSE LOGISTICS AGENCY
DEFENSE ENERGY SUPPORT CENTER
8725 John J. Kingman Rd. Suite 4950
Fort Belvoir, Virginia 22060-6222**

Policy Number: DESC-P-10

March 27, 2008

SEGREGATION OF DUTIES

1.0. GENERAL

1.1. This DESC interim policy is applicable to the Defense Energy Support Center (DESC), DESC Field Activities, contractor and government-operated Defense Fuel Support Points (DFSPs), and other Department of Defense (DoD) Components that handle Defense Working Capital Fund (DWCF) inventory. This policy was coordinated with applicable DESC Offices and military Service Control Points (SPC) and approved by DESC as interim guidance pending inclusion into DoD 4140.25-M.

1.1.1. This revision supersedes DESC-P-10 dated January 16, 2008. Modified paragraphs are identified by a bold line in the right hand margin.

2.0. POLICY

2.1. General. Segregation of duties is a commonly used and widely accepted internal control and business practice that involves division or segregation of key duties and responsibilities among different people. This type of internal management control reduces risk of error and/or fraud and minimizes potential for a single individual to affect DWCF inventory management accuracy and integrity. The key areas of segregation of duties are inventory handling, transaction processing and recording, and transaction approval: collectively "Key Duties". Personnel that perform any one of the Key Duties shall not perform either of the other Key Duties. On a very limited basis to maintain wartime readiness and qualifications, Key Duties may be performed by the same individual. Segregation of duties defines roles used in DWCF petroleum operations to support management controls for operations and financial reporting as DWCF Inventory Transaction Processor/Recorder and DWCF Inventory Operator/Handler. Policy objective is to ensure uniform segregation of duties at DWCF facilities and to mitigate risks at locations unable to segregate operational duties. Specific segregation of duties related to administration of the Government Fuel Card Program are provided in [DoD 4140.25-M, Volume II, Chapter 16, Department of Defense \(DoD\) Fleet Card, AIR Card, and SEA Card](#).

2.2. Policy Waiver

2.2.1. Acceptable segregation of duties requires that a different person complete each of the Key Duties. DFSPs shall request a policy waiver by completing [DESC Waiver Request Form](#) when operations regularly prevent compliance with segregation of duty requirements. A waiver is required if there is overlap of duties more than once a week.

2.2.2. DFSPs that are operationally unable to achieve segregation of duty criteria shall request a policy waiver from the DESC Retail Integration Division (DESC-TB) at DESC-TB@dla.mil or DSN 427-4958/Commercial 703-767-4958 or FAX DSN 427-8795/Commercial 703-767-8795. The waiver will clearly identify current authorized and assigned staffing by position and duty title, explain the frequency the key duties are not segregated, provide the expected remedy if any and get well date. [Appendix 1](#) provides sample waiver request format.

2.2.3. DFSPs that require a segregation of duties policy waiver shall provide a detailed explanation in the request that fully explains how the DFSP will mitigate error and fraud risks posed by insufficient segregation of duties. Failure to provide a sufficient mitigation process will result in the return of the waiver request. DESC-TB will provide a copy of the approved waiver to the DFSP, DESC-N, DESC Region Office, and SCP for retention in accordance with [DESC-P-3, Document/Data Control and Retention Policy](#).

2.2.3.1. DESC Regions will assume an increased oversight role to mitigate risks at DFSPs unable to satisfy requirements of this policy.

3.0. RESPONSIBILITIES

3.1. DESC Inventory Division within the DFSP Management Directorate (DESC-N) shall:

3.1.1. Verify/confirm that each DFSP has an assigned DWCF Inventory Transaction Approver and Adjustment Authority and a DWCF Inventory Transaction Processor/Recorder.

3.1.2. In coordination with DESC Regional Office as appropriate, will contact the DFSP to verify the location complies with segregation of duties requirements and to determine any compliance problems.

3.2. DWCF Inventory Transaction Approver and Adjustment Authority (Responsible Officers/Terminal Managers) shall:

3.2.1. Sign documents to approve DWCF petroleum inventory quantity and/or quality adjustments.

3.2.2. Ensure DWCF energy transactions are processed into the Business System Modernization – Energy (BSM-E) in the manner prescribed by [DoD 4140.25-M DoD Management of Bulk Petroleum Products, Natural Gas, and Coal](#), [Base Level Support Application \(BLSA\) guidance](#), and all pertinent [DESC Interim Policies and Instructions](#).

3.2.3. Approve end-of-month book and physical inventory reconciliation and operating gain/loss calculations.

3.2.4. Initiate operating gain/loss investigations as required by DESC policy.

3.2.5. Periodically observe and confirm DWCF physical inventories.

3.3. DWCF Inventory Transaction Processor/Recorder (Accountants) shall:

3.3.1. Reconcile DWCF inventory transaction documents in the Base Level Support Application (BLSA) with the transaction data entries in the Fuels Enterprise Server (FES).

3.3.2. Enter DWCF inventory transaction data into FES.

3.3.3. Calculate manually gauged DWCF petroleum product inventory quantities.

3.3.4. Prepare documentation to reconcile end-of-month DWCF book and physical inventories.

3.4. DWCF Inventory Operator/Handler shall:

3.4.1. Provide overall operational handling of DWCF petroleum product inventories.

3.4.2. Receive, store, transfer, and issue DWCF petroleum product inventory.

3.4.3. Ensure procedural compliance with DoD 4140.25-M and all pertinent DESC Interim Policies and Instructions to achieve accurate DWCF product inventory quantity determinations.

4.0. SURVEILLANCE REQUIREMENTS

4.1 Segregation of duties compliance will be an inspection topic during site visits by the DESC Auditability Sustainment Office (DESC-TS), DESC-N, and/or DESC Regional Office in accordance with [*DESC-P-7, Accountability and Custodial Responsibility for Defense Working Capital Fund \(DWCF\) Inventory and Government Property*](#).

4.1.1. The DESC-TS, DESC-N, and/or DESC Regional Offices that complete site visits will provide segregation of duties compliance inspection findings to the DESC Retail Integration Division (DESC-TB).

4.1.2. DESC-TB will complete a data call in January and June to request segregation of duties surveillance findings from DESC-TS, DESC-N, and the DESC Regions.

4.1.3. DESC-TB will complete an annual data call in March by contacting DFSPs to verify and update names of personnel who perform each of the Key Duties.

4.1.4. DFSPs that require a waiver may be subject to additional sites visits or audits.

//original signed//

MAYNARD J. SANDERS

Director

OPR: DESC-TB

OCR: DESC-N, U, TS, R, G, X, DESC Regions

[Appendix 1](#) Waiver Request Form Example

[Appendix 2](#) DESC Request Waiver Request Form (Adobe Form Fillable)



DESC Request for Segregation of Duties Waiver

EXAMPLE

Date 29 January 2008	DoDAAC/Location FP4800/Langley AFB	
KEY DUTIES NOT SEGREGATED: <i>(List any Key Duties that cannot be segregated)</i> 3.2 DWCF Inventory Transaction Approver and Adjustment Authority 3.3 DWCF Inventory Transaction Processor/Recorder 3.4 DWCF Inventory Operator/Handler		
JUSTIFICATION FOR WAIVER <i>(Identify section, paragraph, chapter for which the waiver is requested. Provide detailed rationale as to why waiver is required. State present manning, equipment, funding or constraint that prevents the DFSP to comply with DESC-P-10). State estimated time frame waiver is required.)</i> IAW DESC-P-10 PARA. 2.1, "Segregation of Duties", Personnel that perform any one of the key duties shall not perform either of the other key duties. Due to limited manpower (4) and 24 hour operations, both the RO and accountant perform fuel handler duties. The RO performs fuel handler duties three times a week. The accountant performs fuel handler duties once a day. Presently there is no estimated timeframe on compliance with DESC-P-10. Request waiver for the maximum time frame of two (2) years. IAW DESC-P-10 PARA. 2.1, "Segregation of Duties", Personnel that perform any one of the key duties shall not perform either of the other key duties. Due to the size of this DFSP, one individual performs all three key duties all the time. Presently there is no estimated timeframe on compliance with DESC-P-10. Request waiver for the maximum time frame of two (2) years.		
COMPENSATING CONTROLS IMPLEMENTED: <i>(Describe how the DFSP will mitigate the risks associated with inadequate segregation of duties)</i> <ul style="list-style-type: none"> - Appointing Authority will be advised in writing of any unexplained excessive gains and losses. - More inspections/perusal from the Region and DESC-N will be needed to monitor accounts. - Appointing Authority will review transaction documents and ledger weekly for completion and accuracy. - Base inspection team will perform quarterly inspections on accounts. - Fuel Handlers will validate their transactions for accuracy in BLSA - Utilize other positions to fulfill the requirements, ie Dispatchers may issue fuel, shift leaders can fill in for dispatchers, operations managers can fill in for shift leaders, responsible officers can fill in for operations managers, commanders can fill in for the appointed responsible officer, etc 		
NAME OF Responsible Officer (RO)	SIGNATURE	DATE
Bethany Watson	<input type="checkbox"/> APPROVED <input type="checkbox"/> DENIED	29 JAN 08
NAME OF RO APPOINTING AUTHORITY	SIGNATURE	DATE
Sally Cruz	<input type="checkbox"/> APPROVED <input type="checkbox"/> DENIED	29 JAN 08
NAME OF MAJCOM	SIGNATURE	DATE
Jim Claus	<input type="checkbox"/> APPROVED <input type="checkbox"/> DENIED	29 JAN 08
NAME OF SCP REPRESENTATIVE	SIGNATURE	DATE
Michael Griffin	<input type="checkbox"/> CONCUR <input type="checkbox"/> NON-CONCUR	29 JAN 08
NAME OF (DESC-T) REPRESENTATIVE	SIGNATURE	DATE
Tinovia Unruh	<input type="checkbox"/> APPROVED <input type="checkbox"/> DENIED	29 JAN 08